



Dave Heineman
Governor

STATE OF NEBRASKA

OFFICE OF THE GOVERNOR

P.O. Box 94848 • Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244 • gov.heineman@gov.ne.gov

April 3, 2006

Mr. President, Mr. Speaker,
and Members of the Legislature
State Capitol
Lincoln, NE 68509

Dear Mr. President, Mr. Speaker, and Members of the Legislature:

With this letter, I am returning LB 1060 with my signature and with line-item reductions. My vetoes for FY 2005-06 and FY 2006-07 in LB 1060 total \$22,795,327. A list of the individual vetoes is attached to this letter.

I have vetoed \$7,022 General Funds in FY 2005-06 and \$7,210 General Funds in FY 2006-07 intended for increased employer retirement contributions for Department of Education staff that participate in the teacher retirement program. The Department is capable of accommodating these additional costs within existing resources.

I also vetoed the increase of \$318,563 General Funds in FY 2006-07 for four staff positions in the Department of Education. I have not vetoed the \$196,665 Salary Limit increase needed for these positions, thereby providing the Department the opportunity to review priorities and redirect its current federal and state resources to address these staffing decisions.

I have vetoed \$198,515 Revolving Funds in FY 2006-07 from the Secretary of State for relocation of records storage space. The impetus of this request was the possibility that the current storage space was going to become unavailable for continued use. The probability that the current space at the K Street Complex will become unavailable now appears remote. I encourage the agency to continue efficiency measures that allow storage of necessary records within currently available space.

I have vetoed \$30,000 Salary Limit in FY 2005-06 and \$65,000 Salary Limit in FY 2006-07 for increased Records Management staff support in the Office of Secretary of State. Existing staff have provided the necessary support of the State Records Board for the last several years and I encourage that support to continue. In addition, efficiencies produced through the enactment of LB 921 earlier this session should be used to support the work of the Records Board.

I have vetoed the \$100,000 increased General Funds in FY 2006-07 for the Department of Health and Human Services Finance and Support earmarked as pass-through funding to the Munroe Meyer Institute of Genetics and Rehabilitation at the University of Nebraska Medical Center. The \$100,000 General Fund increase in LB 1060 represents a 285% increase in FY 2006-07 funding for this program.

Mr. President, Mr. Speaker,
and Members of the Legislature
April 3, 2006
Page 2

I have vetoed \$2,755,616 General Funds in FY 2006-07 from the Department of Health and Human Services Finance and Support for the Children's Health Insurance Program (CHIP). The line-item reduction is based on analysis that indicates the total FY 2006-07 General Fund appropriation contained in LB 1060 is not necessary. The veto creates room in the budget and therefore allows me not to veto the \$1,800,000 General Funds in FY 2006-07 added in LB 1060 for public health aid, the \$100,000 General Funds added for public health administration in the Department of Health and Human Services Regulation and Licensure, and the \$855,616 added in LB 1060 for rate increases for behavioral health services created through continued behavioral health reform efforts.

I have vetoed \$643,436 General Funds for FY 2005-06 from the Department of Health and Human Services Finance and Support for annual pay rate equity increases in the Developmental Disabilities Aid program. Granting a retroactive pay increase as anticipated by this item would prove difficult to implement and may well cause inequities for employees of providers. One such potential issue involves employees on a provider's payroll at the beginning of the year, but have since separated from employment. To be fair to former employees, the provider, as employer, would presumably be responsible for locating and compensating each former employee for the increased rate of pay and hours worked, including hours worked in a previous tax year. My veto applies only to the increases in LB 1060 that apply retroactively. The compounded and annualized pay rate equity amounts contained in LB 1060 for FY 2006-07 are not reduced by my veto and will be available for provider employees on July 1, 2006.

I have vetoed \$1,675,145 General Funds in FY 2005-06 from the Department of Health and Human Services Finance and Support for the Developmentally Disabled Aid program. It is estimated that these funds, at the current and projected rate of expenditure in the program, will remain unobligated at the end of FY2005-06. My veto only reduces this estimated year-end unobligated balance and the reduction will have no adverse impact on the status of the waiting list. This veto creates room in the budget and therefore allows me not to veto the \$1,675,145 General Funds added in FY 2006-07 in LB 1060 for rate equity payments.

I have vetoed \$437,500 General Funds in FY 2005-06 and \$218,750 General Funds in FY 2006-07 from the Department of Health and Human Services Finance and Support for the Qualified Community Health Centers. After my veto, the five centers will continue to have available to them \$437,500 General Funds in FY 2005-06 and \$656,250 General Funds in FY 2006-07 that was the result of the biennial budget process in 2005 and the first years of General Fund support for the centers.

I have not vetoed additional appropriations provided to the Department of Health and Human Services, Nebraska Educational Telecommunications Commission, Nebraska State College System and the University of Nebraska for utility deficits in FY 2005-06. I have vetoed such amounts for FY 2006-07. Utility costs and appropriation deficits for FY 2006-07 are not known at this time. Currently no emergency exists requiring a funding increase for FY 2006-07.

I have vetoed General Funds in FY 2006-07 added for potential increased utility costs at the twenty-four hour care facilities operated by the Department of Health and Human Services. These General Fund reductions are \$118,971 at the youth rehabilitation and treatment centers,

Mr. President, Mr. Speaker,
and Members of the Legislature
April 3, 2006
Page 3

\$104,314 at the veterans' homes, \$427,703 at the behavioral health regional centers, and \$97,561 at the Beatrice State Developmental Center.

I have also vetoed \$56,650 in increased General Funds provided to the Nebraska Educational Telecommunications Commission, \$215,400 in increased General Funds provided to the Nebraska State College Board of Trustees, and \$4,000,000 in increased General Funds provided to the Board of Regents of the University of Nebraska for potential increases in utility costs in FY 2006-07.

I have reduced the funding increases to the Department of Administrative Services, Division of the State Capitol Commission, for utility cost increases, to reflect the most recent projections of additional appropriations needed to cover higher utility costs this biennium over prior years. Earlier estimates placed utility needs at a 50% higher level than FY 2004-05. Current year-to-date expenditures for the Capitol are running at 12%. My reductions equate to vetoes of \$240,757 of General Funds in both FY 2005-06 and FY 2006-07. After my vetoes, the Commission still has sufficient appropriations to cover higher utility costs for the Capitol building.

I have reduced the funding increases to the Department of Administrative Services, Building Division program for utility cost payments, to reflect the most recent projections of additional appropriations needed to cover possible higher utility cost payments this biennium over prior years. Earlier estimates placed utility needs at a 50% higher level than FY 2004-05. Current year-to-date expenditures are running at 25% - 30% and federal Department of Energy estimates suggest a figure in this range should be adequate. My reductions equate to vetoes of \$234,092 of Revolving Funds in both FY 2005-06 and FY 2006-07. After my vetoes, the Agency still has sufficient appropriations to cover higher utility cost payments for state buildings.

In summary, if my reductions of energy and utility funding are sustained, \$5,261,356 of additional General Fund appropriations will be reduced from FY 2006-07, while \$5,137,973 in additional General Fund appropriations remain for increased energy and utility costs in FY 2005-06. Some indications are that not all of the \$5.1 million increase in General Funds will be necessary in FY 2005-06. Excess appropriations existing on June 30, 2006 should be carried forward by agencies into FY 2006-07 and used to address utility costs for FY 2006-07. Any energy and utility funding changes for FY 2006-07 can be reasonably addressed when actual experience for all of FY 2005-06 and early FY 2006-07 is known.

I have vetoed \$23,343 General Funds in FY 2005-06 and \$49,640 General Funds in FY 2006-07 from the Department of Natural Resources for increased health insurance premiums in the Soil and Water Conservation program. The agency has the ability to accommodate these costs within the Cash Fund appropriation to that program.

I have also vetoed \$325,000 in General Funds for FY 2006-07 intended for expanding the Library Commission's NebraskaAccess online database system. This would represent an increase of over 81 percent for NebraskaAccess from its current \$400,000 General Fund appropriation. The Commission is encouraged to prioritize its existing appropriations to meet the needs of young learners.

Mr. President, Mr. Speaker,
and Members of the Legislature
April 3, 2006
Page 4

I have vetoed the increased funding of \$1.2 million General Funds in FY 2006-07 for the Nebraska Scholarship Program. After my reduction, FY 2006-07 state support (General Fund and Lottery Fund) for Nebraska Scholarship Program funding will increase 11.2% over FY 2005-06 and 35.6% or \$2,750,000 over FY 2004-05. This veto is identical to last year's veto of this spending proposal.

I have vetoed one-half of the additional funding provided for Community College Aid in FY 2006-07. This equates to a total General Fund reduction of \$748,848 allocated to two programs: \$564,384 is reduced from Program 151 and \$184,464 is reduced from Program 152. After my reduction, FY 2006-07 State General Fund Aid to the Community Colleges increases 5.0% or \$3,254,261 over FY 2005-06.

I have reduced \$23,707 of increased Cash Fund appropriation and \$18,521 of new Salary Limit at the Commission on Public Advocacy in FY 2006-07 for additional attorney salary increases that would exceed the pay increases that will be granted to most other state employees on July 1, 2006.

I have reduced a portion of the increase of \$4,372,000 State Building Funds to the State Capitol Commission Capitol Masonry Project for FY 2006-07. The Legislative increase reflects an acceleration of the timing and funding for the Masonry Project. My reduction equates to a veto of \$2,672,000 of State Building Funds for FY 2006-07. This veto still leaves a total appropriation of \$3,000,000 for the Capitol Masonry Project for FY 2006-07, which is sufficient to accommodate the revised funding level for that fiscal year established in 2005, LB 424, plus an additional \$1,700,000 of funding to accommodate priority repairs to the Legislative chamber and associated West parapet area.

I have reduced \$59,986 of increased General Fund appropriation for mileage reimbursements for court operations in FY 2006-07. This relatively small reduction can be accommodated by the state court system. After my line-item reduction, Program 52 (Court Operations) and Program 420 (State Specialized Courts) will still receive total new appropriation increases in LB 1060 of \$484,628 in FY 2005-06 and \$2,487,510 in FY 2006-07.

I have reduced \$68,749 of increased General Fund appropriation for travel costs for probation operations in FY 2006-07. This minor budget reduction can be accommodated by the state probation system. After my line-item reduction, Program 67 (Probation Administration) and Program 435 (Probation Community Corrections) will still receive total new appropriation increases in LB 1060 of \$1,453,675 in FY 2005-06 and \$5,237,168 in FY 2006-07.

I have also made a technical adjustment in FY 2006-07 for Probation Administration that reduces the Salary Limit earmark by \$251,378. The regular and intensive probation budget cannot sustain the spending of this excess Salary Limit amount without creating an operating budget deficit in FY 2006-07 and an on-going structural budget shortfall in the 2007-09 biennium. This Salary Limit change will not force any layoffs or cause any reduction to existing or new positions that are budgeted in FY 2005-06. It will provide for the 3.25% employee salary increase in FY 2006-07 and does not reduce the current program operating budget. This

Mr. President, Mr. Speaker,
and Members of the Legislature
April 3, 2006
Page 5

adjustment will eliminate the possibility of an unintended General Fund budget deficit in FY 2006-07.

I have vetoed the \$75,000 increased Cash Fund appropriation and the \$57,000 increased Salary Limit earmark in the Attorney General's Office in FY 2005-06 for enforcement of the state's obligations under the tobacco master settlement agreement. Twelve full months of salary costs for a new Assistant Attorney General in FY 2005-06 is not necessary when there is less than three months remaining in this fiscal year. As such, I have vetoed this funding increase in FY 2005-06. I have not ignored the merits and necessity of properly funding the enforcement of the state's tobacco master settlement agreement. Both the Governor's and Legislature's budget recommendations this session include an additional appropriation of \$100,000 from the Health Care Cash Fund to expand enforcement of the tobacco settlement agreements in FY 2006-07 from \$150,000 to \$250,000 annually beginning on July 1, 2006. I have not vetoed this additional funding.

I have reduced the Cash Fund appropriation and earmark of \$1,500,000 in FY 2005-06 for increased mass transit aid. I oppose funding a retroactive aid increase. In addition, it does not appear that the current reduced level of Department of Roads tax revenues can support this new FY 2005-06 spending increase without negatively impacting our current state road construction efforts. I have not vetoed the \$1,500,000 additional appropriation for mass transit aid in FY 2006-07.

I have reduced \$217,000 General Funds in FY 2005-06 to the Department of Correctional Services. A one-time General Fund savings of \$217,000 has been made available this fiscal year by utilizing a one-time federal reimbursement to support current inmate per diem costs.

The Legislature has recommended a total of \$5,750,000 of new General Funds to the Community Corrections Council Office in FY 2006-07 to expand community corrections services. I have reduced the General Fund appropriation and earmarks to the Community Corrections Council Office by \$1,375,000 in FY 2006-07, thereby leaving a total General Fund increase of \$4,375,000 during this legislative session to implement the following new initiatives: \$2,000,000 General Funds for statewide drug courts; \$1,250,000 General Funds for probation day and evening reporting centers; \$1,080,000 General Funds for expansion of substance abuse treatment for offenders; and \$45,000 General Funds for completion of a recidivism reduction treatment center study.

The \$1,375,000 General fund line-item reduction can easily be replaced from the current \$6.0 million surplus balance existing in the Probation and Parole Program cash funds, as the pass-through Cash Fund appropriation to Probation Administration was not reduced.

After my vetoes, the budget still leaves in the full \$6,850,000 of Cash Fund appropriation increases for FY 2006-07 that are provided in LB 1060 to the Supreme Court and Probation Administration to fund new and expanded community corrections services. The appropriation provided to Program 435 (Probation Community Corrections) will support a maximum of \$5,977,902 in offender substance abuse treatment for FY 2006-07. The Probation and Parole Program cash funds have been assessed against and paid by probationers and parolees.

Mr. President, Mr. Speaker,
and Members of the Legislature
April 3, 2006
Page 6

These cash funds should primarily benefit the “direct” treatment costs of these probationers and parolees.

My veto reduces the funding increases to the Commission for the Blind and Visually Impaired by one-half in both FY 2005-06 and FY 2006-07. After my veto, General Fund support for the Commission will be 26.8 percent higher in FY 2005-06 and 44.1 percent higher in FY 2006-07 relative to the FY 2004-05 funding level. The harsh reality is that the state’s resources are not adequate to fully replace every federal program that has been cut or continue every federal grant that provided short-term funding.

I have vetoed the FY 2006-07 \$2 million General Fund transfer to the Cultural Preservation Endowment Fund. While I support the arts, other critical needs facing the State of Nebraska must take priority over our desire to increase funding for this endowment.

I appreciate the Legislature’s work and urge you to sustain these reductions to LB 1060.

Sincerely,

Dave Heineman
Governor

Attachment

99th LEGISLATURE, SECOND SESSION (2006)
LB 1060
Governor's Line-Item Vetoes

Ag#	Agency Name	Prog#	Program Name	Bill#	Sec#	Fund	FY2005-06 Veto	FY2006-07 Veto
005	Supreme Court	052	Court Operations	1060	189	General	0	59,986
005	Supreme Court	067	Probation	1060	190	General	0	68,749
005	Supreme Court	067	Probation	1060	190	PSL	0	251,378
009	Secretary of State	086	Records Management	1060	33	PSL	30,000	65,000
009	Secretary of State	086	Records Management	1060	33	Revolving	0	198,515
011	Attorney General	507	Interpretation & Application of Law	1060	192	Cash	75,000	0
011	Attorney General	507	Interpretation & Application of Law	1060	192	PSL	57,000	0
013	Education	025	Departmental Administration	1060	45	General	7,022	325,773
025	HHS-Services	250	Juvenile Services	1060	89	General	0	118,971
025	HHS-Services	365	Mental Health/Regional Centers	1060	200	General	0	427,703
025	HHS-Services	421	Beatrice St Developmental Center	1060	201	General	0	97,561
025	HHS-Services	519	Nebraska Veterans Homes	1060	90	General	0	104,314
026	HHS-Finance	344	Children's Health Insurance	1060	204	General	0	2,755,616
026	HHS-Finance	424	Developmental Disability Aid	1060	207	General	2,318,581	0
026	HHS-Finance	502	Public Health Aid	1060	208	General	437,500	218,750
026	HHS-Finance	514	Health Aid	1060	94	General	0	100,000
027	Roads	305	Local Transit Assistance	1060	210	Cash	1,500,000	0
029	Natural Resources	334	Soil & Water Conservation	1060	101	General	23,343	49,640
034	Library Commission	302	Library Development	1060	115	General	0	325,000
046	Correctional Services	200	Adult Services	1060	214	General	217,000	0
047	Educational Telecommunications	533	Network Operations	1060	125	General	0	56,650
048	Postsecondary Coord.	690	Nebraska Scholarship Program	1060	129	General	0	1,200,000
050	State Colleges	048	State Colleges	1060	130	General	0	215,400
051	University of Nebraska	781	University System	1060	131	General	0	4,000,000
065	Admin Services	560	Building Division	1060	148	Revolving	234,092	234,092
065	Admin Services	685	Capitol Commission	1060	154	General	240,757	240,757
065	Admin Services	939	State Capitol Complex	1060	187	SBF	0	2,672,000
069	Arts Council	--	Nebraska Arts and Humanities	1060	231	General	0	2,000,000
078	Crime Commission	220	Community Corrections Council	1060	227	General	0	1,375,000
081	Blind/Visually Impaired	357	Blind/Visually Impaired	1060	228	General	25,000	100,000

99th LEGISLATURE, SECOND SESSION (2006)
LB 1060
Governor's Line-Item Vetoes

Ag#	Agency Name	Prog#	Program Name	Bill#	Sec#	Fund	FY2005-06 Veto	FY2006-07 Veto
083	Community Colleges	151	Aid to Community Colleges	1060	174	General	0	564,384
083	Community Colleges	152	Property Tax Relief/Equalization	1060	175	General	0	184,464
094	Public Advocacy	425	Comm on Public Advocacy	1060	183	Cash	0	23,707
094	Public Advocacy	425	Comm on Public Advocacy	1060	183	PSL	0	18,521
Appropriations								
General							3,269,203	12,588,718
SBF							0	2,672,000
GF Subtotal							<u>3,269,203</u>	<u>15,260,718</u>
Cash							1,575,000	23,707
Revolving							234,092	432,607
Total							<u>5,078,295</u>	<u>15,717,032</u>
PSL							87,000	334,899
Revenues/Transfers								
General							0	2,000,000